

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **200837016**

Release Date: 9/12/2008

Index Number: 141.00-00, 148.02-00

Third Party Communication: None
Date of Communication: Not Applicable
Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:FIP:BR5
PLR-111795-08
Date:
May 29, 2008

LEGEND:

Corporation =

State =

Fund =

Act =

Bonds =

Fiscal Year =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Dear :

This is in response to your request for a supplemental ruling (1) confirming that the Corporation may continue to rely on the conclusions set forth in the private letter ruling previously issued to Corporation on Date 1 ("Prior Ruling A") with respect to future issuances of tax-exempt bonds, and (2) which may be relied upon by Corporation on a permanent basis without a specified termination date. Prior Ruling A provided that Corporation may rely on the conclusions set forth in that ruling until Date 2. A private letter ruling previously issued to Corporation on Date 3 ("Prior Ruling B"), provided that Corporation could continue to rely on the conclusions set forth in Prior Ruling A until Date 4.

FACTS AND REPRESENTATIONS:

The facts that form the basis of Prior Ruling A and Prior Ruling B are incorporated herein by reference. All terms used and not otherwise defined herein are as defined in Prior Ruling A.

You make the following factual representations. Since Prior Rulings A and B were issued, the Act, which provides for the creation and operation of Fund and Corporation, has been amended as described herein.

At the time of Prior Ruling A and Prior Ruling B, Emergency Assessments were an obligation of admitted insurers and were due at one time on July 1 of each year. The Act has now been amended to provide that Emergency Assessments are obligations of the policyholders (rather than the insurers) and the assessment base was expanded to include policyholders obtaining surplus lines insurance.

The bulk of Emergency Assessments are received from "admitted" rather than surplus lines insurers. Under the Act amendment, Emergency Assessments from the admitted market are collected by the insurers and remitted to Fund quarterly rather than annually. The Act sets forth different collection procedures for surplus lines insurance. Surplus lines insurance is insurance for a risk or a part of a risk for which there is no market available through admitted insurers in State. Emergency Assessments with respect to policies obtained from surplus lines insurance are paid by the policyholder to State at the same time the policyholder pays State's surplus lines tax, and State then submits the Emergency Assessments to Corporation. With respect to policyholders of surplus lines insurance that are exempt from the surplus lines tax (e.g., certain tax-exempt entities), Emergency Assessments are to be paid by the policyholders to Fund quarterly.

Subsequent to the issuance of Prior Ruling A and Prior Ruling B, the Bonds were issued by Corporation on Date 5. When the Bonds were structured, in order to ensure that Reimbursement Premiums would not be used to pay debt service on the Bonds, one year's capitalized interest was bonded for and the Bond documents were drafted to provide that if in any Fiscal Year Emergency Assessments are collected in excess of debt service on the Bonds due in such Fiscal Year, the excess Emergency

Assessments will be retained by the Bond trustee and held to pay debt service on the Bonds in the next Fiscal Year. As a result of this structuring, the debt service requirements with respect to the Bonds for each Fiscal Year will be satisfied from Emergency Assessments prior to the collection of any Annual Reimbursement Premiums, and Annual Reimbursement Premiums will not need to be transferred to the trustee for the payment of debt service on the Bonds.

Annual Reimbursement Premiums would pay debt service on the Bonds only in the event of a sustained significant deficiency in the collection of Emergency Assessments and would be replaced promptly with Emergency Assessments when sufficient Emergency Assessments are collected. Excess Annual Reimbursement Premiums are not sent to the trustee and instead are released to the Fund and added to the Corpus. Corpus and Corpus Earnings are not pledged to pay debt service on the Bonds.

CONCLUSION:

Based on your facts and representations, including those incorporated by reference, Corporation may rely on the conclusions reached in Prior Ruling A on a permanent basis without a specified termination date. Please understand, however, that significant changes in your facts may make this letter ruling inapplicable.

The ruling contained in this letter is based upon information and representations submitted by Corporation and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the materials submitted in support of the request for a ruling, it is subject to verification upon examination.

Except as expressly provided herein, no opinion is expressed or implied concerning any transaction or item discussed or referenced in this letter under any provision of the Code or regulations thereunder, including §§ 103 and 141 through 150. Specifically, no opinion is expressed concerning whether interest on the Bonds is excludable from gross income under § 103(a). Neither is any opinion expressed on the effect of any subsequent action or event that is inconsistent with the facts and representations stated herein.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with a Power of Attorney on file with this office, a copy of this letter is being sent to District's authorized representative.

Sincerely,

Associate Chief Counsel
(Financial Institutions and Products)

By: _____
Timothy L. Jones
Senior Counsel
Branch 5

cc: